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NORTHERN DIVISION

OFFICE OF REPORTS AND ESTIMATES

WORKING PAPER

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NORTHERN DIVISION WEEKLY

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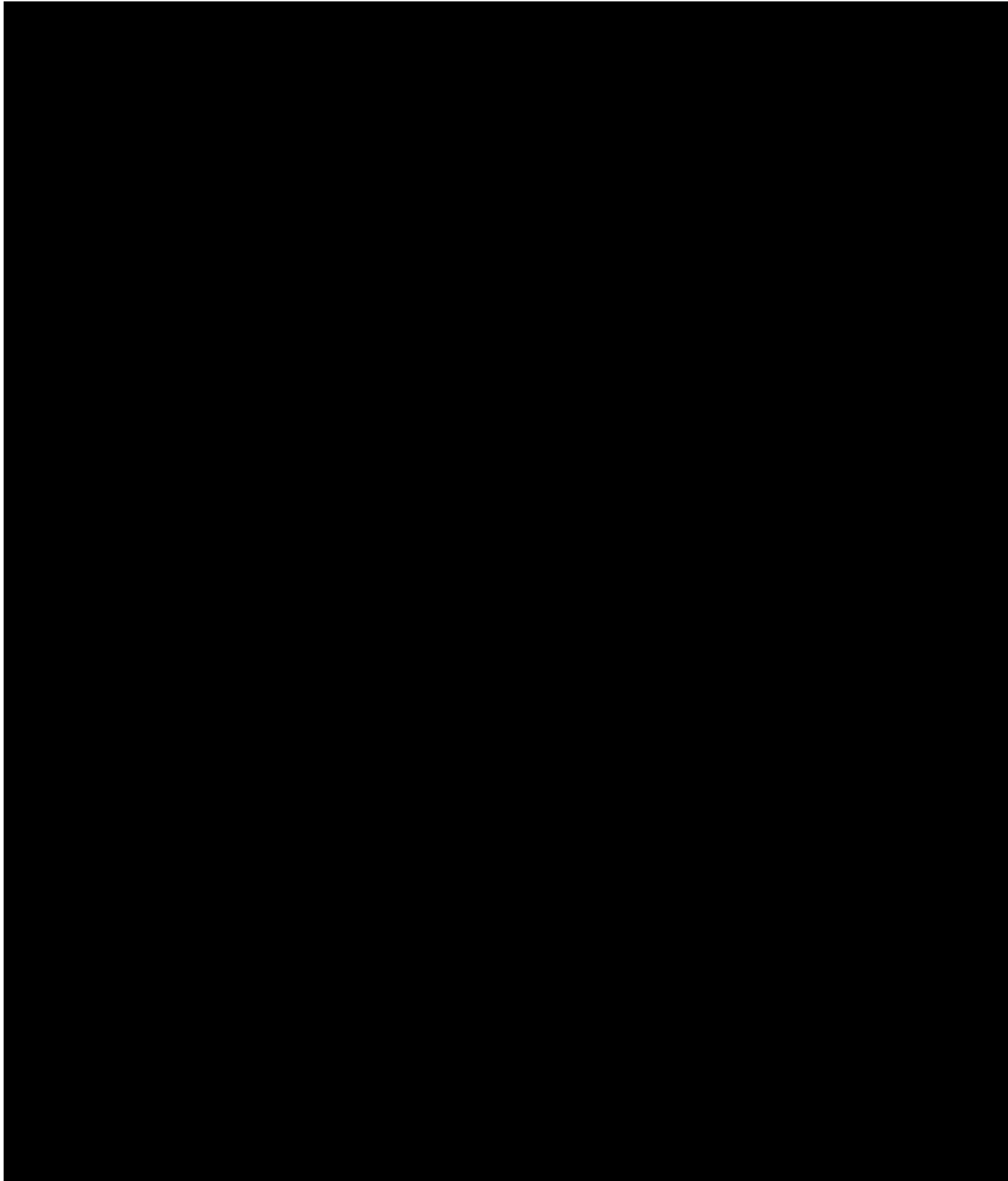
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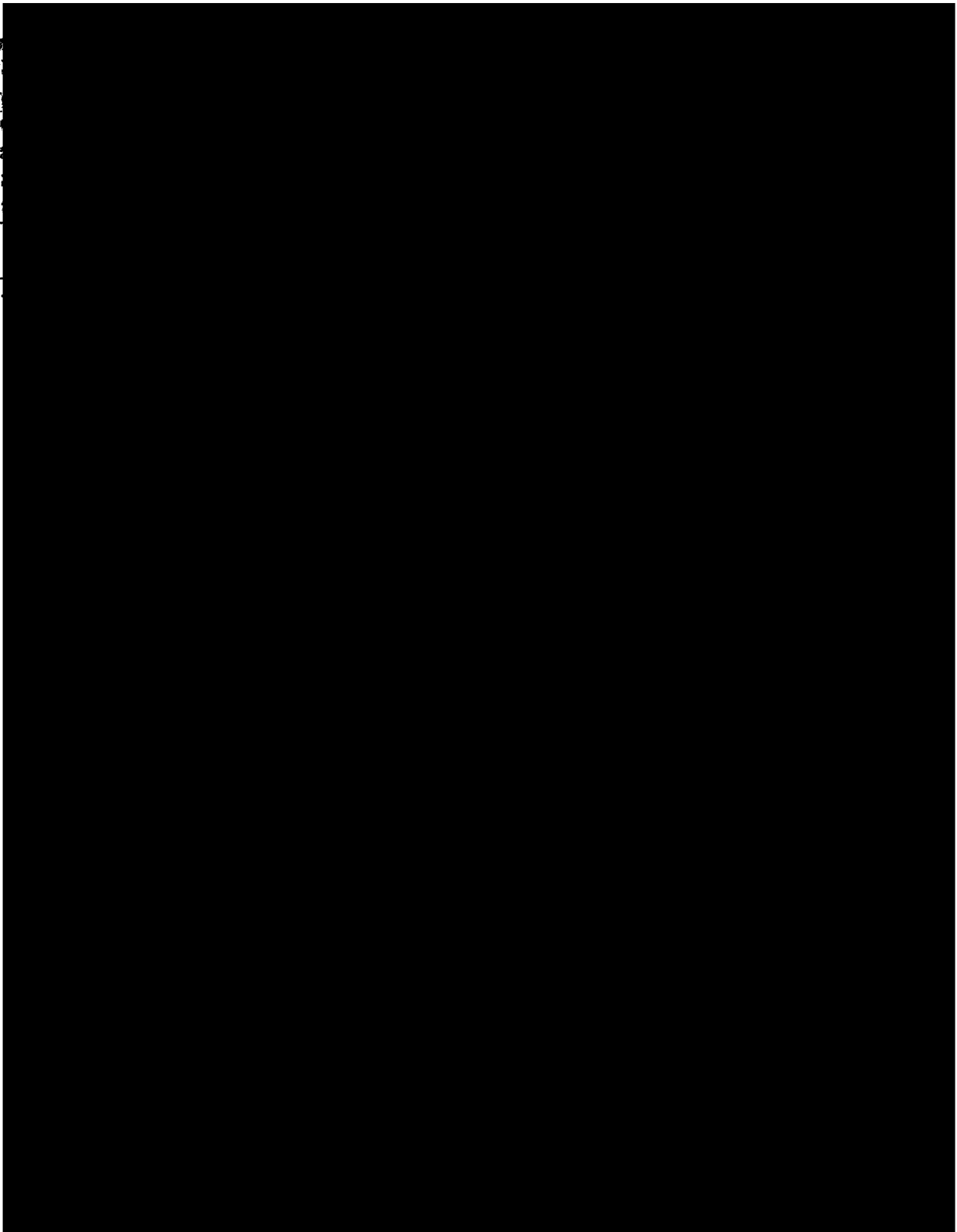


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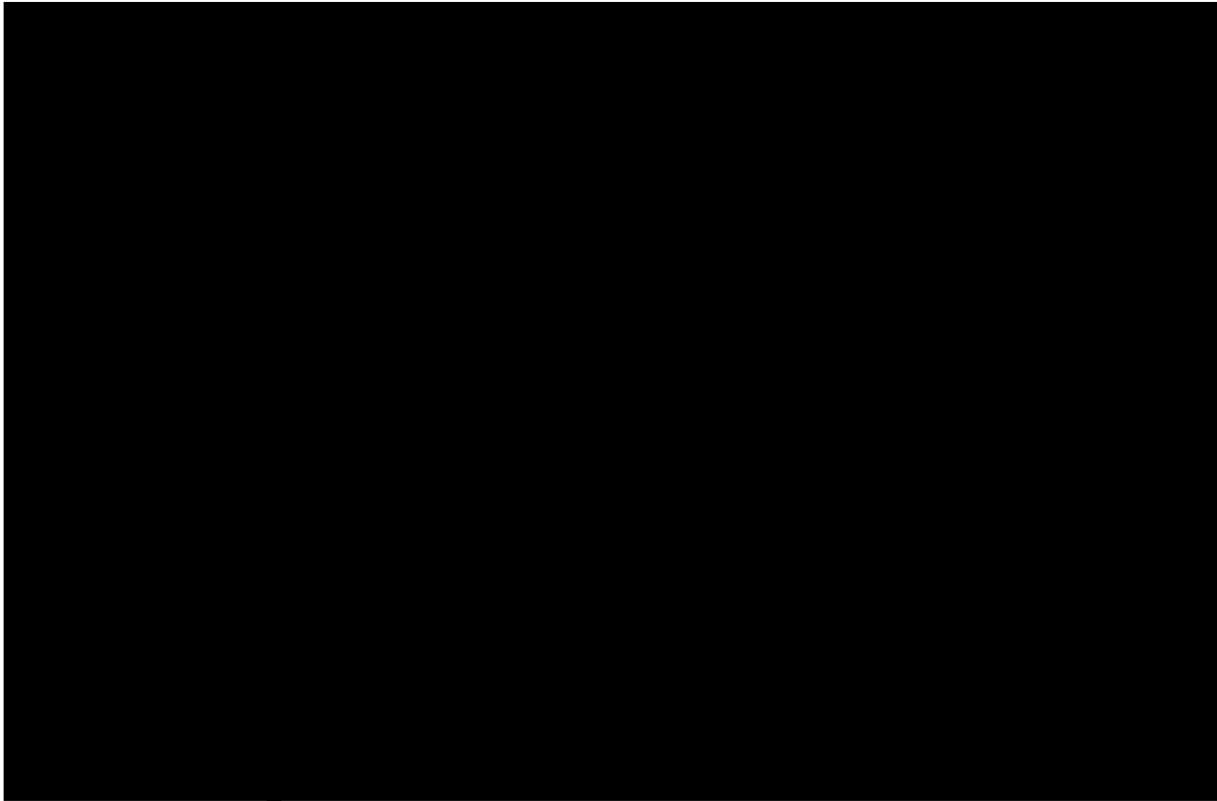
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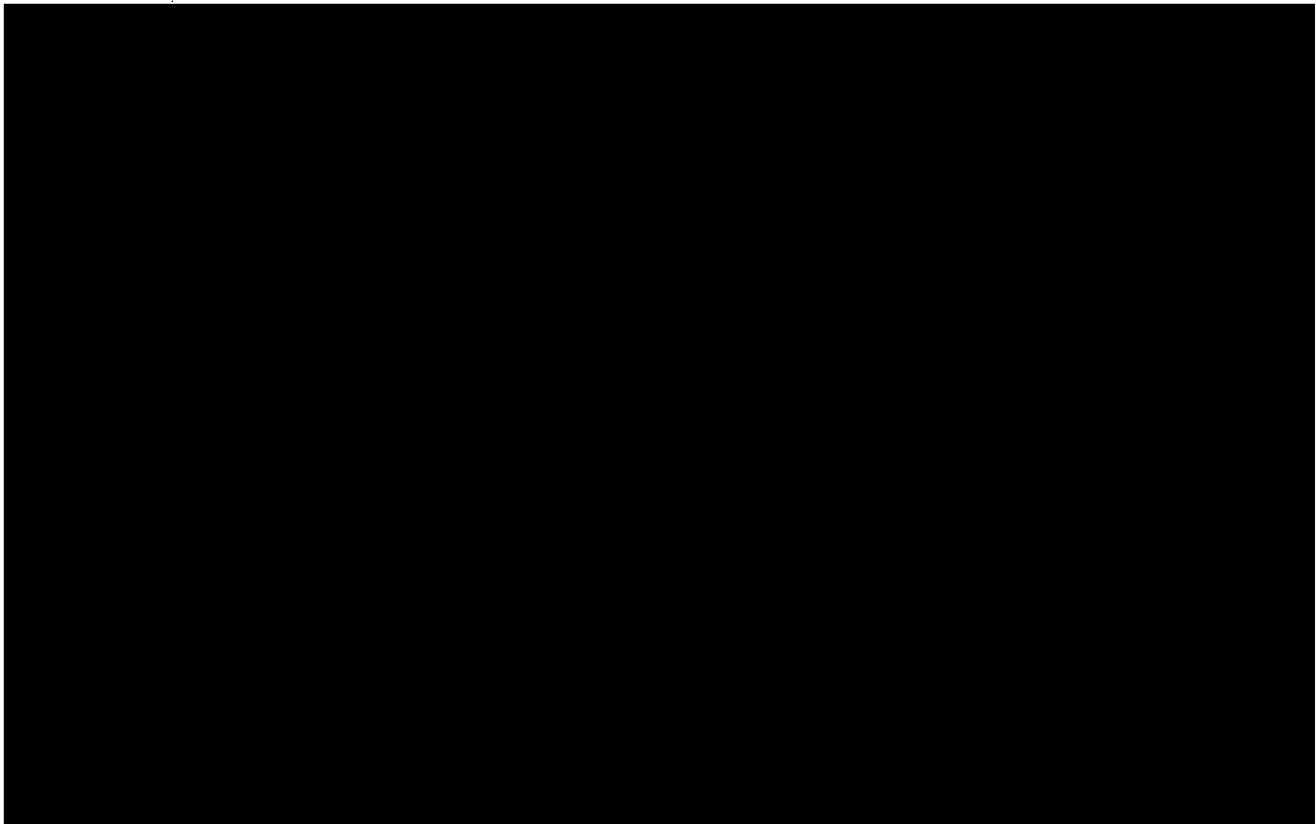
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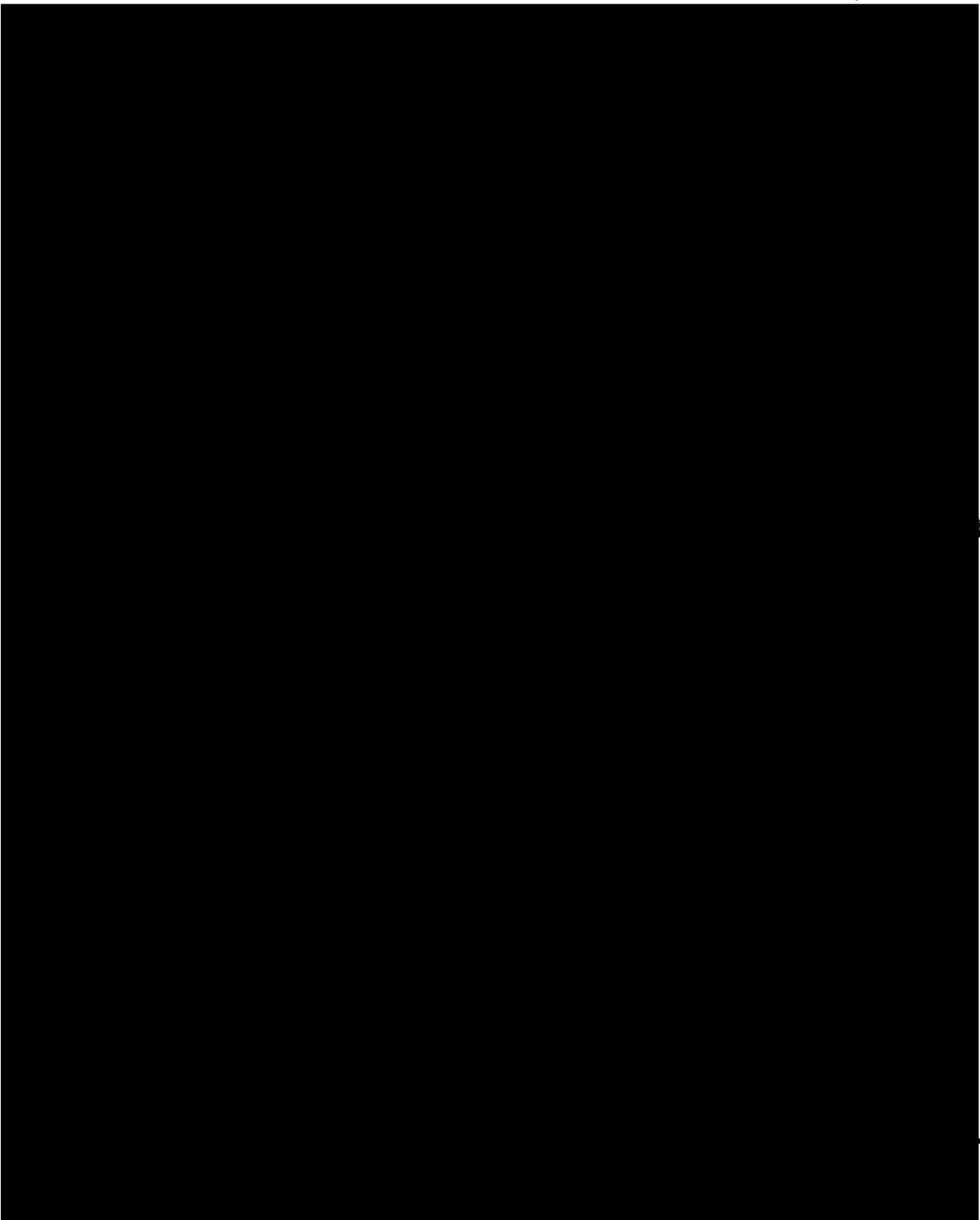


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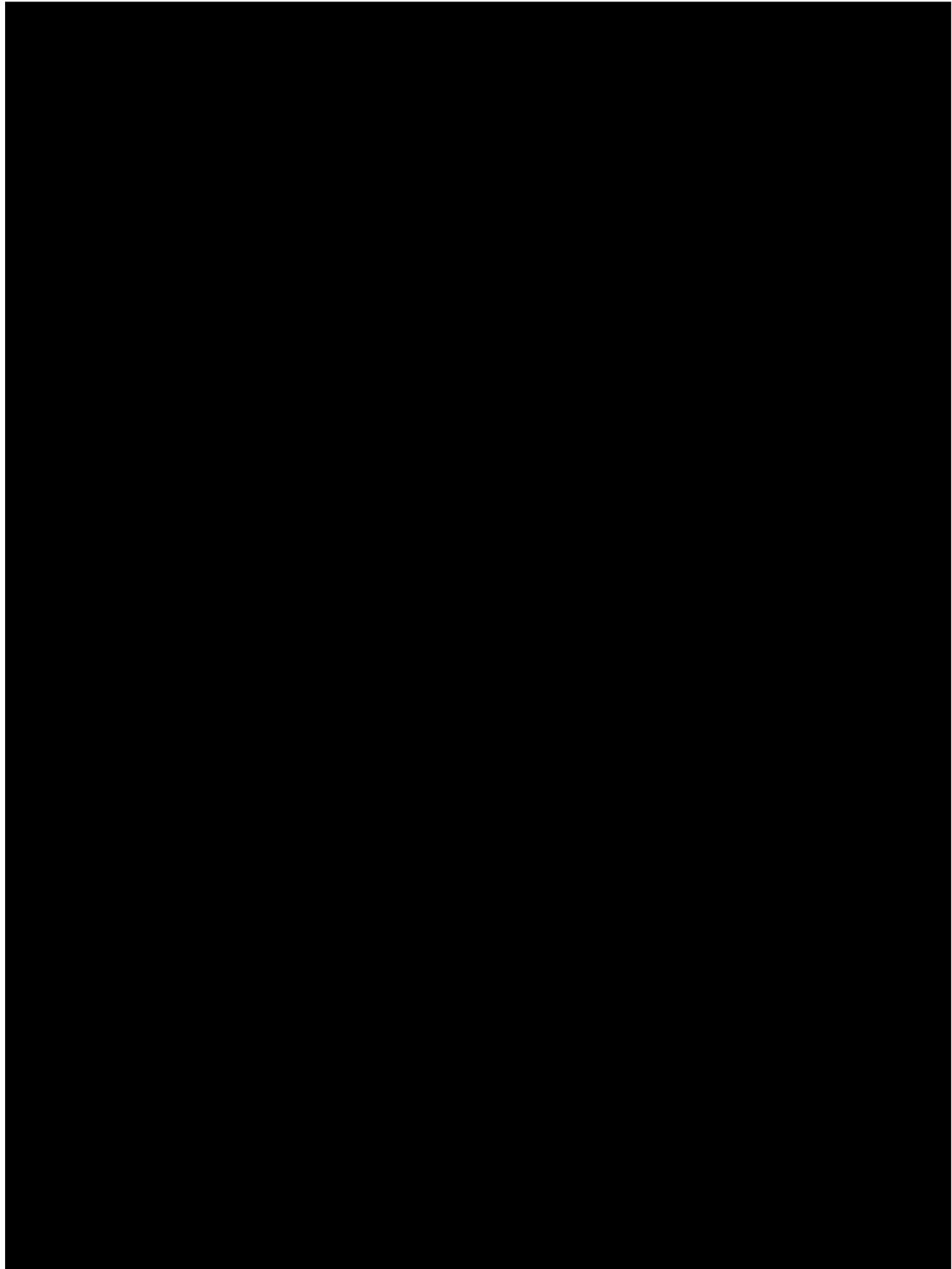
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IRELAND

9. Government wins seat from Opposition; Clann na Poblachta loses prestige.

The Costello Government won its greatest political victory in twenty-one months of power in capturing a seat from the Opposition in a West Donegal by-election on 16 November. This was the third by-election since the Government took office, but the first in which the outcome was really in doubt; the campaign was given major attention by the leaders of all parties. The seat had been held by the Opposition, De Valera's Fianna Fail, for many years, and the victory of the "inter-party" candidate, a member of Prime Minister Costello's Fine Gael party, is thus a significant indication of the coalition's strength and of the waning popular appeal of De Valera. During the campaign the Government concentrated on social welfare issues rather than on nationalism. Coming just after the publication of the Government's social security proposals, which seem extensive enough to satisfy the left-wing of the coalition, the West Donegal election resolves most of the doubts about the maintenance of inter-party harmony.

Although the election strengthens the Government as a whole, it emphasizes the decline of Clann na Poblachta, Minister for External Affairs MacBride's party. The Clann did not support the regular "inter-party" candidate, but ran one of its own and made a poor showing. However, under Ireland's system of proportional representation, it was the second preference of Clann voters that elected the "inter-party" candidate. MacBride's personal prestige is high enough to assure his being in the political spotlight almost indefinitely, but it is doubtful if Clann na Poblachta with its shaky finances and poor showing in two by-elections has much future as a party. Realization of this might tend to make Clann deputies in the Dail reckless in responding to the Government whips, but this danger to the Government is mitigated by the Clann's continuing antagonism to De Valera, who is the only alternative.

SCANDINAVIAN BRANCH

SWEDEN

1. Swedish Government tackles devaluation problems

The primary objectives behind post-devaluation economic measures proposed by the Swedish Government have been to

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safeguard the domestic stabilization program. The cost of living index now stands at 166.54 (1935 equals 100), and the Government has estimated that in the absence of protective legislation the index would rise by 2.5 points as a result of increased costs caused by devaluation. Should the index rise to 168.34 existing wage agreements of certain groups, including State employees, provide for automatic wage increases amounting in some instances to nearly eight per cent. This would set off demands for wage increases by other groups and be the end of the "wage freeze." The authorities are keenly aware that a round of wage increases would result in an inflationary spiral which would destroy the stabilization program and nullify whatever beneficial effects would eventually derive from devaluation.

To offset increased costs caused by devaluation the Government has submitted proposals to the Riksdag calling for subsidies amounting to 190 million kronor (5.18 kronor equals \$1.00) of imports and some domestic products for the remainder of this fiscal year. The Government hopes that these measures will over-compensate the immediate effects of devaluation and initially reduce the cost of Swedish imports to consumers. However, the post-devaluation tendency of export prices to rise in some countries may tend to nullify the projected Swedish subsidy program.

## DENMARK

### 2. Denmark cooperates on control of strategic exports

Although existing export controls in Denmark have no relation to the 1-A and 1-B lists, detailed export data for the past two years show that at most only negligible quantities of critical items have been exported to eastern Europe. The ECA Mission, with the approval and co-operation of the Danish Foreign Office, has arranged to make monthly checks of current export records against the 1-A list. While the US, in the interests of developing mutual security concepts among NATO signatories, would like to see a prohibition of 1-A exports to eastern Europe, such procedure would require Danish parliamentary action, and the Government is reluctant to request such authority since, in view of the present trend towards liberalization of trade, it immediately would be identified as political. Should checks of export statistics show that

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1-A items are being exported to eastern Europe it is likely that informal controls would be established between the Government and producers. Since the number of potential producers of 1-A items is small such an arrangement would be workable, and it is believed that Denmark could under such circumstances assure other countries that the 1-A list is being enforced.

Recent rumors that Denmark had orders from eastern European countries for 20 tankers, which are on the 1-A list, are unfounded. Construction of ships for the USSR was agreed in the Danish-USSR trade agreement negotiated prior to enactment of ECA legislation and contracts have been let for construction of five small refrigerator ships of 735 tons carrying capacity, deliverable in the fourth quarter of 1952, and for one 13,000-ton tanker, deliverable the fourth quarter of 1953. Construction has not yet begun nor have contracts been concluded covering two other tankers of 5000 and 6000 tons included in the agreement. In addition to the ships mentioned in the Soviet agreement the Danes are building one dry cargo ship of 2400 tons for Poland in accordance with the trade agreement of December, 1948, and refitting a salvaged ex-German vessel of 3000 tons, a combined passenger and cargo motor vessel, due for delivery next year. The Danish Foreign Office has agreed not to make any commitments for ship construction during present trade talks with the Poles without prior full discussion with the US Embassy.

### ICELAND

3. Icelanders struggle to form a Government: Communist participation possible.

Although Althing elections took place almost a month ago, no government has yet been formed. Herman Jonasson, chairman of the Progressive Party, has been asked by the President to try to form a cabinet, and is attempting to make a deal with the Communists and the Social Democrats for parliamentary support. The Social Democratic Party still insists that it will not enter a Progressive -- Communist coalition, and the possibility of Jonasson's picking up the necessary two votes from dissident Social Democrats seems less likely than was earlier believed. His success in forming

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a government is thus by no means assured. The President has notified the Althing, however, that unless it is able by ordinary parliamentary means to form a cabinet by 30 November, he will appoint one himself.

Absence from the Government of the Conservative Party, which is apparently reluctant either to form or to join in a cabinet, would be a loss to US interests in Iceland. Leaders in foreign affairs since 1946, the Conservatives have been the proponents of closer US -- Icelandic relations, and have cooperated particularly in the implementation of the Airport Agreement.

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